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SUBJECT: PREMIER WEN DISCUSSES NEW SOCIALIST COUNTRYSIDE,
INTERNET FREEDOMS, TAIWAN, HONG KONG, JAPAN AND CURRENCY
FLUCTUATION

Summary

1. China must recognize that the reform process is long and arduous, Premier Wen Jiabao remarked at a press conference following the conclusion of the NPC and CPPCC annual sessions. The New Socialist Countryside policy will help safeguard farmers' land rights and raise their living standards. Social problems resulting from the seizure of land and other conflicts of interest must be properly handled by adopting strong measures to protect the public's rights. While each citizen has the right to access the Internet and enjoys the freedoms of speech and publication, they must abide by the law in order to safeguard national and societal interests. Remarking that the Taiwan authorities' decision to cease operation of the NUC and application of the NUG has severely undermined cross-Strait peace and stability, Premier Wen asserted that Beijing is willing to hold "equal-footed" dialogue with any person, including an individual from the DPP, who is committed to the one-China principle. Hong Kong's development will promote Hong Kong's democratic system in an orderly manner and in accordance with the principles of the Basic Law. The Premier remarked that it is not necessary to employ administrative measures to shape the fluctuation of the RMB exchange rate. China has already become a responsible international player and its military spending is solely for self-defense purposes. If the Yasukuni Shrine issue is not properly resolved, Sino-Japanese relations will not develop smoothly. China-India relations have entered a new historical stage. The government will focus on improving the compulsory and vocational education systems and step up environmental protection efforts. End Summary.

China Will Stick to Reform Despite Difficulties Ahead

2. Premier Wen Jiabao commenced the March 14 televised press conference that followed the conclusion of the NPC and CPPCC annual sessions by stating that he had read many of the hundreds of thousands of comments and suggestions posted by Chinese citizens on Internet portals, including ones run by the People's Daily, Xinhua, Sohu.com and Sina.com. Noting that some of the comments were directed to him, Premier Wen remarked that they underscored public expectations, confidence and encouragement. China must recognize that the road ahead is long and arduous, promote reform and continue to develop socialism with Chinese characteristics. Backpedaling is not an option, and China must prepare for future difficulties and risks, including those that can and cannot be predicted. The nation has continued to improve itself due to its resilient, unyielding and industrious spirit.

Agricultural Development Key to National Modernization

13. Responding to a question from the Farmers' Daily reporter on the construction of the New Socialist Countryside, Premier Wen asserted that the development of agriculture, rural areas and the rural population has become an integral feature of the nation's modernization drive. The New Socialist Countryside policy will focus on three areas. First, utilizing industry to enhance agriculture, thereby building a society of moderate prosperity (xiao kang she hui) in rural areas and modernizing the agricultural sector. This will also boost demand and consumption and help build China's society and put its economy on more solid ground. Second, enhancing infrastructure and social programs to improve agricultural capacities, which will raise farmers' living standards. Third, respecting farmers' democratic rights, especially the right to independently farm contracted land, and refraining from taking coercive measures against them. In addition, improvements to the material and culture existence of rural residents will serve as a yardstick to measure the practical results of China's rural development.

Farmers' Rights

14. The Financial Times correspondent asked about government measures to protect rural residents from illegal land seizures. Remarking that the core issue for China's farmers is land, Premier Wen stressed the importance of the household contract responsibility system. While land is collectively owned, the right to production and cultivation belongs to the farmers. This right will be explicitly guaranteed and will remain unchanged. Premier Wen highlighted the need to safeguard farmers' ability to work independently on contracted land and to compensate appropriately those whose land is expropriated. Revenue from land transfers should be given primarily to the farmers, and harsh punishments should be meted out to those who illegally seize farmers' land.

15. Asked by the AFP correspondent about the increasing use of violence to deal with rural protests, the Premier remarked that China's current stage of rapid economic development has generated many acute social problems. Some local officials violate regulations and the public's rights, particularly with regard to land seizures, housing demolition and resettlement and corporate restructuring. These social problems must be properly handled by adopting strong measures to protect people's personal interests and rights. It is also important to teach the public to voice their legitimate concerns through lawful channels. Asked whether China would consider the establishment of independent trade unions to protect workers' welfare, the Premier said he was saddened by a number of major workplace accidents that have occurred and noted that the government work report highlighted the need to improve work safety conditions and awareness. Trade unions at all levels should play a greater role in safety supervision, he remarked, adding that trade unions are the "people's organizations" and are not established by individual firms.

Internet Freedoms

16. Western media correspondents asked about international concerns over Internet control and other areas of censorship and the arrests of journalists. Noting that over 100 million Chinese citizens have Internet access, Premier Wen expressed the government's support for the development of the Internet. The Chinese Government should accept public

supervision and solicit views of the government from Internet users. All citizens have the constitutionally guaranteed right to access the Internet and enjoy the freedoms of speech and publication, but they must abide by the law and public order to safeguard national, social and collective interests. China manages the Internet according to international standards and would like to learn more from other countries' experiences. Premier Wen remarked, nonetheless, that websites should carry accurate information and not mislead the public or undermine public order. Weboperators should abide by a code of conduct and certain ethical standards.

Taiwan

17. The TVBS reporter asked about Chen Shui-bian's decision to cease operation of the National Unification Council (NUC) and application of the National Unification Guidelines (NUG) and whether the Mainland is willing to engage the DPP. Premier Wen asserted that the leader of the Taiwan authorities has blocked the development of the "three links" and restricted cross-Straits economic and trade exchanges. These steps have not benefited Taiwan's economic development and have undermined the interests of the Taiwan people. The leader of the Taiwan authorities continues to create trouble, which has led to disputes within Taiwan and cross-Straits tensions. Forgetting his own roots, he has attempted to sever the Chinese people's "blood ties."

18. The actions of the Taiwan authorities' leader have run contrary to cross-Straits peace and stability and the aspirations of the Chinese people, including the people of Taiwan, Premier Wen continued. The decision to cease operation of the NUC and application of the NUG has severely undermined cross-Straits peace and stability and is very dangerous. The Premier stressed the need to remain vigilant against an intensification of secessionist activities and the promotion of de jure Taiwan independence through constitutional engineering. China is closely following these developments and is fully prepared for all eventualities.

19. Premier Wen reiterated China's consistent and explicit commitment to the one-China principle. On the basis of this principle, China supports cross-Straits consultations conducted on an "equal footing," remarking that this is not an issue of one side "swallowing up" the other. We are willing to engage in dialogue with any person, regardless of his Party affiliation or past words or actions, as long as he is committed to the one-China principle, Premier Wen stated, adding that this includes individuals from the DPP. China is prepared to respond to and make contact with a DPP person as long as he abandons a Taiwan independence platform. Beijing will never abandon its efforts to peacefully resolve the Taiwan issue but will not waiver in opposition to Taiwan secessionist action and will never permit Taiwan to split from China.

Hong Kong

10. In response to the Wen Wei Po's question on the focus of the 11th Five-Year Plan on Hong Kong and Hong Kong's impact on the Mainland's economic development, Premier Wen maintained that since its return to China, Hong Kong's capitalist system has not changed. The laws and regulations are basically unchanged and the rights of freedoms of the Hong Kong people have been protected. Hong Kong is the world's freest economic system, maintains a developed legal system and a favorable business environment and offers efficient

market access to the global economy. Hong Kong has played a major role in the Mainland's development, currently serving as the Mainland's fourth largest trading partner and biggest source of overseas direct investment. This role will take on greater importance with the implementation of the 11th Five-Year plan.

¶11. With the establishment of the Closer Economic Partnership Agreement (CEPA), Hong Kong imports to the Mainland enjoy tariff-free treatment and Hong Kong firms are allowed special access to Mainland trade and services sectors, Premier Wen noted. China has opened travel to Hong Kong from 38 cities and will add five more during the May Day holiday. The 11th Five-Year Plan will help the Mainland and Hong Kong achieve joint prosperity. The development of Hong Kong and the improvement of its people's lives will also promote Hong Kong's democratic system in an orderly manner and in accordance with the principles of the Basic Law, he asserted.

Currency Revaluation

¶12. Questioned by the CCTV correspondent about continuing U.S. pressure to revalue the RMB, Premier Wen responded that since last July's adjustment of the exchange rate mechanism the RMB has risen three percent against the USD and by a higher amount against the Euro and Yen. China will continue to improve the RMB exchange rate regime, expand the foreign exchange market and allow for greater flexibility in RMB fluctuation. The current exchange rate regime allows the RMB to fluctuate based on market changes. It is not necessary to employ administrative measures to shape the fluctuation of the RMB, the Premier said, adding that there will be "no surprises."

China Already a Responsible International Player

¶13. Questioned by the China National Radio correspondent about international concerns over the threat posed by China's development, Premier Wen stressed that China has already become a responsible country and listed ten examples. He stated that 1) China's biggest contribution to global peace and stability has been successfully feeding 1.3 billion people and lifting 200 million out of poverty. 2) China has explored scientific development and will continue to focus on environmental protection. 3) Beijing does not employ ideology as a criterion for defining its friends or enemies nor will it enter into alliances with individual countries or country groupings. 4) China pursues friendly relations with neighboring countries. 5) China is an active participant in and upholder of the international system, having joined over 100 international organizations and signed nearly 300 international treaties. 6) The country is a staunch force for international peace and stability and has played a role in major issues such as the DPRK and Iranian nuclear issues, for which it has been working toward peaceful resolutions. Beijing has also helped relieve non-traditional security threats and natural disasters, such as the South Asian tsunami. 7) China resolutely opposes terrorism and nuclear proliferation. 8) Beijing has honored its WTO commitments. 9) Helping other countries meet the UN Millennium Development Goals, China has cancelled 20 billion RMB (USD 2.5 billion) of debt in 44 underdeveloped nations and in the coming years will offer USD 10 billion in loans to developing countries, without any strings attached. 10) Beijing maintains a defensive military policy, and its limited increases in military spending are aimed at improving the welfare of its servicemen and its self-defense capabilities. Chinese troops have never occupied a

foreign country and China will never interfere in other countries' internal affairs.

Japan

¶14. Asked by the Kyodo correspondent how China will react if PM Koizumi's successor continues to visit the Yasukuni Shrine, Premier Wen asserted that the current difficulties in Sino-Japanese relations are due to the actions of the Japanese leaders, not China or the Japanese people. The visits to the Yasukuni Shrine have offended the Chinese and other Asian peoples. If this issue is not properly resolved, bilateral relations will not develop smoothly. Highlighting China's dedication to enhancing Sino-Japanese relations, the Premier said the development of ties must follow the three bilateral political documents and the principle of using history as a mirror. China wishes to promote the bilateral strategic dialogue to remove political obstacles to the relationship; strengthen people-to-people exchanges; and expand mutually beneficial economic and trade cooperation.

India

¶15. Questioned about the state of China-India relations, Premier Wen noted that he presided over the signing of the bilateral strategic partnership agreement during a visit to India in 2005. The two countries have agreed on principles to resolve the boundary dispute and established a five-year plan for economic and trade cooperation. As 2006 marks the Year of India-China Friendship, both countries should increase cultural exchanges. Bilateral relations have entered a new historical stage and the strengthening of the two nations will eventually usher in the "true Asian century."

Foreign Shares in State-Owned Banks

¶16. Asked by the Wall Street Journal correspondent about reported domestic criticism of Beijing's decision to allow foreign parties to own shares in Chinese state-owned banks, Premier Wen remarked that the reformation of the state-owned commercial banking system will involve exploring multiple formats of public ownership. The shareholding system is effective, but the objective is to improve corporate governance and learn from others' expertise to improve the management of state-owned commercial banks. He highlighted that the state must maintain controlling shares in state-owned banks to decrease risk, as well as enhance supervision to prevent the stripping of state-owned assets.

Education

¶17. Asked by the Xinhua reporter about rural education reform, Premier Wen asserted that a nation's development depends largely on the competence of its people. The government will focus on improving the (nine year) compulsory and vocational education systems, which will have the greatest effect on educating the public, particularly the 900 million rural residents.

Environmental Protection

¶18. Responding to a question on pollution from a self-proclaimed Taiwan Human Rights News Agency reporter who drew the moderator's attention by waiving his cane in the air, Premier Wen acknowledged that pollution is a major problem and that targets in the

10th Five-Year Plan to reduce pollution were not fully met. The 11th Five-Year Plan calls for the reduction of energy use per unit of GDP to 20 percent and the decrease of pollutants to 10 percent, he noted. Permission should not be granted for projects that waste resources or pollute the environment and comprehensive measures must be taken to conserve resources and safeguard the environment. While enforcement of the law will be the most difficult task, enterprises and individuals responsible for accidents that pollute the environment will be held accountable.

Premier's Accomplishments

¶19. Asked to describe his accomplishments and most emotional moments over the past three years, Premier Wen remarked that he was personally moved by the public's encouragement and criticism of the government. He was saddened, however, that pressing issues, including overpriced and inadequate healthcare, education, housing and security had not been handled in a better manner.

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